



Billing Code: 6690-01-P

EXPORT-IMPORT BANK

Information Request on Potential Parameters of Export-Import Bank Financing for

Domestic Projects

AGENCY: Export-Import Bank of the United States.

ACTION: Notice.

SUMMARY: The Export-Import Bank of the United States (EXIM) is soliciting comments and feedback concerning a recommendation resulting from Executive Order 14017 on America's Supply Chains. The report "Building resilient supply chains, revitalizing American manufacturing, and fostering broad-based growth", recommends that EXIM consider developing an option to provide financing in support of the establishment and/or expansion of U.S. manufacturing facilities and infrastructure projects in the United States that would facilitate U.S. exports.

EXIM requests:

- 1) Comments on the usefulness of such an option and need for EXIM to extend its medium and long-term loans and guarantees to domestic projects as described in the E.O. 14017 Report recommendation; and
- 2) Feedback on the hypothetical parameters of such an EXIM program as described in the "supplementary information" below.

DATES: Consideration will be given to all written comments received by January 20, 2022.

ADDRESSES: Interested parties may submit comments on this transaction electronically on www.regulations.gov. To submit a comment, enter "Information Request on Potential Parameters of Export-Import Bank Financing for Domestic Projects" under the heading "Enter Keyword or ID" and select Search. Follow the instructions provided at the Submit a Comment screen. Please include your name, company name (if any) and "Information Request on Potential Parameters of Export-Import Bank Financing for Domestic Projects" on any attached document. Comments can also be sent by email or mail to Scott Condren, Scott.Condren@exim.gov, Export-Import Bank of the United States, 811 Vermont Ave, NW, Washington, DC 20571.

For Further Information Contact:

Scott Condren by telephone at 202-565-3777 or by email at Scott.Condren@exim.gov.

SUPPLEMENTARY INFORMATION:

Background

On June 8th, 2021, the White House released a report "Strengthening America's Supply Chains" which recommended that

EXIM develop a proposal for Board consideration regarding whether and how to implement a new Domestic Financing Program to support the establishment and/or expansion of U.S. manufacturing facilities and infrastructure projects in the United States that would support U.S. exports. The proposal would support and facilitate U.S. exports while rebuilding U.S. manufacturing capacity

This notice seeks comment on the value of expanding EXIM's foreign buyer financing program to include domestic transactions, and feedback on the hypothetical parameters such as described below. In general, this notice only describes where transactions would face different requirements or standards from EXIM's medium and long-term overseas support. Terms, conditions, and requirements not addressed here, such as additionality, should be presumed to be the same as EXIM's standard export credit offering.

Hypothetical Parameters

Export Nexus: EXIM can only support transactions that have a nexus to exports. Foreign ECAs tend to require as a standard (but not rigorously applied minimum) 20% content for their export transactions. Moreover, the British have created a domestic financing program for companies that have an export "basis" that requires at least 5% of annual revenues in any three-year period be from exports, or 20% in one of any three years. EXIM may consider projects between a 25-50% export nexus for support. For example, 25% of a project's production (e.g., goods produced at an EXIM-supported manufacturing facility) or capacity (e.g., 25% of the traffic at a port) would need to be for export for the transaction to be eligible. This export connection could stretch back through a supply chain and account for "indirect exports". For example, if a company sells 50% of its output to a domestic company, which in turn uses 50% of the supplier's inputs for exports, this transaction would meet the 25% threshold.

Pricing: Because financing with no direct export component is not considered official export financing, EXIM's financing would not be subject to the Organisation for Economic Co-Operation and Development (OECD) Arrangement terms and conditions. However, supporting domestic transactions that facilitate exports must comply with both EXIM's budget and World Trade Organization (WTO) rules. The former requires transactional "break even"; the latter which would require EXIM to provide "market" pricing. EXIM may meet both tests via one of two approaches:

- 1) **Direct Market Proxy:** There are several options, including lending on identical terms and conditions (or provide cover so that the buyer faces identical all-in pricing on both covered and uncovered tranches) as part of a syndicate, price using issuer specific credit default swaps (CDS) or price using comparable public bond information.
- 2) **Implicit Market Benchmark:** In cases where there is no direct market benchmark (e.g., no debt of a comparable term exists), EXIM may as a back-up utilize the OECD "Through the Cycle Market Benchmark" pricing methodology. This methodology uses commercial pricing information to generate market reflective pricing for a wide range of tenors and credit ratings.

Jobs supported: EXIM may connect to its jobs mission by scaling its financing in relation to the number of US jobs such financing would support. For purposes of calculating maximum support, EXIM may include the US jobs involved in construction of the project and the US jobs involved in ongoing use of the project over the life of EXIM financing (per year – e.g., 50 jobs per year for five years would be counted as 250 jobs). As all such jobs estimates are projections of the future, EXIM may ask applicants to provide supporting information on why their projections are accurate (e.g., similar projects had similar employment, projections from their EPC when applicable), as well as requesting that EXIM's independent consultants on projects may be asked to opine on the reasonableness of the jobs projections. EXIM may choose to use a lower jobs number than the applicant provided to determine maximum financing.

U.S. flag shipping: EXIM may require U.S. flag shipping on major discrete equipment imports specifically sourced for the project with the same exceptions as EXIM's current policy. Items that had been imported with no expectation or foreknowledge they would end up being purchased with EXIM

financing would not require U.S. flag shipping (such items could also be termed “Commercial off the shelf”).

Comments:

EXIM seeks comments on the eligibility criteria laid out above. In addition, EXIM specifically asks

- 1) Comments on the usefulness of such an option and need for EXIM to extend its medium and long-term loans and guarantees to domestic projects with an export connection as described in the E.O. 14017 report recommendation; and
- 2) Feedback on the hypothetical parameters of such an EXIM program as described in the “supplementary information” above.

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